



Steven L. Beshear  
Governor

Leonard K. Peters  
Secretary  
Energy and Environment Cabinet

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Daniel E. Logsdon,  
Jr.  
Commissioner

June 25, 2015

TO: Case File No. 2014-00371

RE: Application of Kentucky Utilities Company for an Adjustment of its Electric Rates

Attached is an e-mail from Electric and Gas Rate Design Branch Manager Leah Faulkner to David Shouse regarding Kentucky Utilities' Company's demand and energy charges. This e-mail is being filed in the case file for the PSC's record.

Sincerely,

A handwritten signature in blue ink that reads "Stephanic Bell to TD".

Jeff Derouen  
Executive Director

Enclosure

## **Faulkner, Leah (PSC)**

---

**From:** Faulkner, Leah (PSC)  
**Sent:** Thursday, May 21, 2015 2:51 PM  
**To:** 'davidshousefarms@yahoo.com'  
**Subject:** Demand charges

Mr. Shouse, good afternoon! Ginny Smith in our Consumer Services Division asked me to contact you with a definition of demand charges. She said your inquiry was related to the rate case of Kentucky Utilities in Case No. 2014-00371, in which you had provided a letter of public comment. I got your email address from that letter in the case record, thinking it might be easier to provide an explanation in writing.

Electric utilities bill customers that use a relatively large amount of power using both energy charges and demand charges. Energy charges are based on the amount of power that is used, billed in kilowatt hours (kwh). Demand charges are based on the customers' highest level of usage during a period, and the contribution of large usage customers to the highest level of usage for which the utility's system was built.

Utilities invest in electric generation, transmission and distribution equipment to meet the maximum demand that all customers may require at one time. Even if large usage customers are not using much, or any, power during a particular month, the utility's system is required to always stand ready to provide the maximum amount of power the customer might demand. Demand charges tend to collect the fixed charges of a utility's system, while the energy charges collect the variable costs of serving customers. You might think of the demand charge as a reservation charge for the capacity that is always available to serve your property.

I hope this helps. Please let me know if you have any questions about this information.

Leah Faulkner  
Kentucky Public Service Commission  
502-782-2649

\*Honorable David J. Barberie  
Managing Attorney  
Lexington-Fayette Urban County Government  
Department Of Law  
200 East Main Street  
Lexington, KENTUCKY 40507

\*Larry Cook  
Assistant Attorney General  
Office of the Attorney General Utility & Rate  
1024 Capital Center Drive  
Suite 200  
Frankfort, KENTUCKY 40601-8204

\*Honorable Lindsey W Ingram, III  
Attorney at Law  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KENTUCKY 40507-1801

\*Honorable David F Boehm  
Attorney at Law  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, OHIO 45202

\*Honorable W. Duncan Crosby III  
Attorney at Law  
Stoll Keenon Ogden, PLLC  
2000 PNC Plaza  
500 W Jefferson Street  
Louisville, KENTUCKY 40202-2828

\*Kentucky Utilities Company  
220 W. Main Street  
P. O. Box 32010  
Louisville, KY 40232-2010

\*Andrea C Brown  
Lexington-Fayette Urban County Government  
Department Of Law  
200 East Main Street  
Lexington, KENTUCKY 40507

\*Gregory T Dutton  
Assistant Attorney General  
Office of the Attorney General Utility & Rate  
1024 Capital Center Drive  
Suite 200  
Frankfort, KENTUCKY 40601-8204

\*Stefanie J Kingsley  
Assistant Attorney General  
Office of the Attorney General Utility & Rate  
1024 Capital Center Drive  
Suite 200  
Frankfort, KENTUCKY 40601-8204

\*David Brown  
Stites & Harbison, PLLC  
1800 Providian Center  
400 West Market Street  
Louisville, KENTUCKY 40202

\*Gardner F Gillespie  
Sheppard Mullin Richter & Hampton LLP  
1300 I Street NW  
11th Floor East  
Washington, DISTRICT OF COLUMBIA 20005

\*Honorable Michael L Kurtz  
Attorney at Law  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, OHIO 45202

\*Joe F Childers  
Joe F. Childers & Associates  
300 Lexington Building  
201 West Short Street  
Lexington, KENTUCKY 40507

\*Angela M Goad  
Assistant Attorney General  
Office of the Attorney General Utility & Rate  
1024 Capital Center Drive  
Suite 200  
Frankfort, KENTUCKY 40601-8204

\*Amanda M Lanham  
Sheppard Mullin Richter & Hampton LLP  
1300 I Street NW  
11th Floor East  
Washington, DISTRICT OF COLUMBIA 20005

\*Jody Kyler Cohn  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, OHIO 45202

\*Janet M Graham  
Commissioner of Law  
Lexington-Fayette Urban County Government  
Department Of Law  
200 East Main Street  
Lexington, KENTUCKY 40507

\*Rick E Lovekamp  
Manager - Regulatory Affairs  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, KENTUCKY 40202

\*Robert Conroy  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, KENTUCKY 40202

\*C Harris  
Spilman Thomas & Battle, PLLC  
1100 Brent Creek Blvd., Suite 101  
Mechanicsburg, PENNSYLVANIA 17050

\*Honorable Matthew R Malone  
Attorney at Law  
Hurt, Crosbie & May PLLC  
The Equus Building  
127 West Main Street  
Lexington, KENTUCKY 40507

\*Don C A Parker  
Spilman Thomas & Battle, PLLC  
1100 Brent Creek Blvd., Suite 101  
Mechanicsburg, PENNSYLVANIA 17050

\*Honorable Robert M Watt, III  
Attorney At Law  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KENTUCKY 40507-1801

\*Honorable Kendrick R Riggs  
Attorney at Law  
Stoll Keenon Ogden, PLLC  
2000 PNC Plaza  
500 W Jefferson Street  
Louisville, KENTUCKY 40202-2828

\*Laurie Williams  
Associate Attorney  
Sierra Club  
50 F Street, NW, Eighth Floor  
Washington, DISTRICT OF COLUMBIA 20001

\*Casey Roberts  
Staff Attorney  
Sierra Club  
85 Second St. Second Floor  
San Francisco, CALIFORNIA 94105

\*Derrick P Williamson  
Spilman Thomas & Battle, PLLC  
1100 Brent Creek Blvd., Suite 101  
Mechanicsburg, PENNSYLVANIA 17050

\*Honorable Iris G Skidmore  
415 W. Main Street  
Suite 2  
Frankfort, KENTUCKY 40601

\*Ed Staton  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, KENTUCKY 40202

\*Honorable Allyson K Sturgeon  
Senior Corporate Attorney  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, KENTUCKY 40202

\*Janice Theriot  
Zielke Law Firm PLLC  
1250 Meidinger Tower  
462 South Fourth Avenue  
Louisville, KENTUCKY 40202